

***United States Court of Appeals
for the Second Circuit***



**APPELLANT'S
BRIEF**

ORIGINAL

75-7269/7276

B

P/S

United States Court of Appeals
FOR THE SECOND CIRCUIT

CES PUBLISHING CORP.,

*Plaintiff-Appellant-
Cross-Appellee,*

against

ST. REGIS PUBLICATIONS, INC.,

*Defendant-Appellee-
Cross-Appellant.*

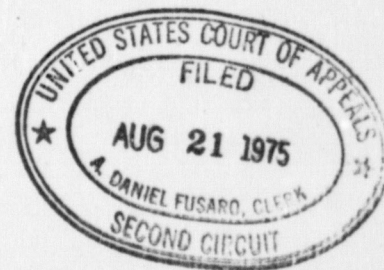
Appeal and Cross-Appeal From an Order of the
United States District Court for the Southern
District of New York Denying Appellant's Mo-
tion for Preliminary Injunction and Cross-Appel-
lant's Motion to Dismiss.

**BRIEF OF DEFENDANT-APPELLEE-CROSS-
APPELLANT**

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STATEMENT OF ISSUES

1. Having decided on the strength of unimpeached and unimpeachable documentary evidence that "consumer electronics" is the apt term for the industry and hence generic, should not the Court below have dismissed the action because secondary meaning could not have been established for a generic term?

2. Since plaintiff failed to join the licensor of the term "consumer electronics" upon which the licensee's claim of right is based, should the Court not have dismissed the action?

3. Did the Court below abuse its discretion in denying plaintiff's motion for a preliminary injunction?

STATEMENT OF THE CASE

This is an appeal from a District Court Opinion and Order which denied motions made by both party litigants. (A-48).

CES Publishing Corp. (hereinafter referred to as "plaintiff") filed its complaint January 16, 1975 against St. Regis Publications, Inc. (hereinafter referred to as "defendant"). The complaint alleged trademark infringement under The Trademark Act of 1946 (15 U.S.C. §1051 et seq.), violations of §43(a) thereof (15 U.S.C. §1125(a)), §368-d of the New York General Business Law and the New York common law of unfair competition. (A-2).

By notice of motion dated January 29, 1975, plaintiff applied to the Court for a sweeping preliminary injunction to preclude defendant from further use of "Consumer Electronics" in connection with any periodical or any advertisement, promotion, announcement, manufacture, distribution, offer, or sale thereof. (A-7). By notice of motion dated January 31, 1975, defendant applied to the Court for dismissal of the litigation on two

separate and distinct grounds: (1) the generic nature of the words "consumer electronics" as applied to a consumer electronics publication; and (2) the failure to join the putative trademark owner under Rule 19 of the Federal Rules of Civil Procedure. (A-28).

The respective motions of both parties were opposed and the motions were combined, in the papers below, in the hearing before the District Judge, and in his Opinion and Order. After review of all the papers and oral argument, the District Court Judge decided that "[I]t is clear that 'Consumer Electronics' is not and cannot be such a distinctive term as to become a trademark" He further found,

"that the industry covering 'consumer electronics' has grown by leaps and bounds in the last few years. Twice a year the industry takes a measure of its own growth by having a 'trade fair'. At such affairs there is distributed 'Consumer Electronics Show Daily' and also 'Television Digest with Consumer Electronics'. The defendant indeed has published a gazette for more than a year entitled 'CES Trade News Daily'. (The abbreviation CES admittedly stands for 'Consumer Electronics Show'.)" A-50)

and concluded,

"Under the entire circumstances it is clear to me that 'consumer electronics' as applied to a trade publication is merely a generic name and that as such it is not the subject of a valid trademark excluding others from the use of the words 'consumer electronics'." (A-51).

The exhibits of record establish beyond any doubt that "consumer electronics" is the generic term necessarily used to identify the involved industry, which encompasses such products as televisions, radios, hi-fidelity systems, tape recorders, calculators, car stereo tape systems and home security systems, all fitting under the umbrella "consumer electronics products". A brief discussion of some of these exhibits follows.

Exhibit A in support of defendant's motion to dismiss is a copy of the publication by the Consumer Electronics Group of the Electronic Industries Association, which publication is entitled "Consumer Electronics Annual Review". The first article at page 2 of the 1974 edition is captioned "Consumer Electronics: The First Half-Century" and opens with the sentence, "The consumer electronics industry is now in its second

half-century". At the same page, the third paragraph begins, "Contributing to the birth of consumer electronics were many earlier landmarks." Charts at page 6 are entitled "Consumer Electronics Decades of Growth" or at page 37, "Consumer Electronics Foreign Trade: Total U. S. Imports of Selected Consumer Electronic Products, 1963-73". Articles as at pages 38, 40, 42 and 45, inter alia, show further the generic nature of "consumer electronics".

Exhibits C and D to defendant's motion to dismiss are copies of the publication "Consumer Electronics Show Daily" which was first published by Television Digest, Inc. (Exhibit C) and is now evidently published by Audio Times, Inc. (Exhibit D). Television Digest, Inc., the claimed trademark owner, when it put out "Consumer Electronics Show Daily" used consumer electronics descriptively and generically, as, for example, on the cover page of Exhibit C (left): "The big story of the new 1968 consumer electronics line is color. . . ." In describing a weekly event called "Consumer Electronics Week" (Exhibit C, right) it

wrote, "The biggest product show in the history of the consumer electronics industry will be the star attraction of Consumer Electronics Week, to be celebrated June 22-28 in New York City. More than 100 manufacturers and importers, accounting for at least 95% of consumer electronic product sales in the United States, will display an estimated 10,000 different items. . . ."

Exhibit 9 to the Solomon affidavit in support of defendant's motion to dismiss is a copy of the section of a book published in 1974 by the Electronic Industries Group". This section which discusses the consumer electronics field broadly also refers to a training school in Detroit for "consumer electronics servicing" and to another publication in part entitled "Your New Consumer Electronic Product" (next to last page of Exhibit 9).

Exhibit E to defendant's motion to dismiss is a copy of "Television Digest with Consumer Electronics", the continuing publication of Television Digest, Inc., which has a column entitled "Consumer Electronics" and

such generic references as, "Industry Exports of consumer electronics topped \$180 million last year "

Exhibit F (defendant's motion to dismiss) is the "Consumer Electronic News", a section of "Electronic News", and as will be further noted at the third page of that exhibit, Fairchild Publications, Inc. has applied for U.S. Patent Office registration of "Consumer Electronic News" to cover its section in a weekly publication.

"Consumer Electronics" is also the name of the section starting at page 3 and continuing through page 33 of the "1974 Electronic Market Data Book" (Exhibit J, defendant's motion to dismiss).

Exhibits G and K to defendant's motion to dismiss are defendant's publications, "CES Trade News Daily" and "Consumer Electronics Product News". Exhibits 12 through 19 of the Solomon affidavit are materials promoting defendant's "Consumer Electronics Product News" and showing the emphasis given to the "Product News" portion of defendant's title. Similarly the exhibits offered by plaintiff at F to its motion

show defendant's deliberate stress on the "Product News" part of its title and, additionally, the identification of source in defendant through the combining by defendant of its advertising for its well-known and long established publication "High Fidelity Trade News" with its advertising for "Consumer Electronics Product News" (second page of Exhibit F).

Widespread third party generic usage of consumer electronics was illustrated at Exhibits 10 and 11 attached to the Solomon affidavit. Exhibit 11 is representative news articles and releases referring to the consumer electronics industry, consumer electronics sales, consumer electronics products and the Consumer Electronics Show. Exhibit 10 shows the frequency of use of consumer electronics as a part of company names, as, for example:

RCA Consumer Electronics Division
Philco Ford Consumer Electronics Division
Consumer Electronics Service Company
Consumer Electronics Inc.
Magnavox Consumer Electronics Company
C. Itoh & Co. (America) Inc. Consumer
Electronics Division
Sanyo Electric, Inc. Consumer Electronics
Division
Panasonic Consumer Electronics Group
Eastern Air Services Consumer Electronics Group

Were the generic nature of consumer electronics not established beyond peradventure of doubt by the many documentary exhibits introduced by defendant below, the proposition is unequivocally established by the promotional materials and publications of Television Digest, Inc. and plaintiff. At Exhibit L to defendant's motion to dismiss, Television Digest, Inc. begins its promotion as follows: "This is an invitation to spend 20 minutes each week with the world's leading authority on consumer electronics . . ." The very next paragraph reference to its "exclusive coverage of consumer electronics" is significant because essentially this is what is sought to be achieved in this litigation -- exclusive coverage of consumer electronics by Television Digest, Inc. and its several licensees, the three being severally engaged in publishing periodicals, each bearing the words "Consumer Electronics" in their separate titles. The second promotional piece annexed at said Exhibit L opens, "Since 1945, Television Digest has covered trends and developments of every phase of the broadcast and consumer electronics industries."

In announcing its new monthly publication, plaintiff calls it a "new monthly business publication for the consumer electronics industry", "a publication that's really valuable to its readers -- and the consumer electronics industry." (Exhibit 21 to the Solomon affidavit).

At Exhibit E to plaintiff's motion for preliminary injunction (last 2 pages), the same common thread unravels: "The consumer electronics industry's only comprehensive business magazine"; "Consumer Electronics is the authoritative business publication for everyone who retails, distributes or manufactures consumer electronics products"; "Despite the enormous growth of consumer electronics sales . . ."; "the most in-depth coverage the consumer electronics industry has ever seen"; "In just one year, Consumer Electronics has become the leading trade publication in the consumer electronics industry".

At Exhibit A to plaintiff's motion (the January 1975 issue of "Consumer Electronics Monthly") are such references as: "reports from consumer electronics

retailers" (page 8); "Japanese consumer electronics manufacturers" (page 12); Mr. Monrma "will be covering the consumer electronics business on the west coast for Consumer Electronics on a regular basis" (page 14); and "How will consumer electronics service technicians survive" (page 14). At the centerfold to Exhibit A (page 104), the advertisement of "Consumer Electronics Monthly" (under "Don't Miss It") describes its publication as, "For marketers of every type of consumer electronic product"

Not only do plaintiff's papers below bear out defendant's contentions as to the generic nature of "consumer electronics" but also they are marked by a conspicuous absence of any industry affidavit in support of its position.

In 1967 Television Digest, Inc. secured a U.S. Patent Office registration for "Consumer Electronics" as a department of a trade newsletter, which registration issued on the Supplemental Register reserved for non-distinctive terms. (Exhibit C to plaintiff's motion). On the strength of this Supplemental Registration Television Digest, Inc. granted a license to Audio Times, Inc. to publish "Consumer Electronics Show Daily", in connection with a publication providing daily coverage of the Consumer Electronics Show, and a further license to use "Consumer

Electronics" for a monthly publication, which was assigned in 1972 to plaintiff. Meanwhile Television Digest, Inc. continued to publish its own "Television Digest with Consumer Electronics."

In August 1974 defendant commenced proceedings in the U.S. Patent Office to cancel the Consumer Electronics registration of Television Digest, Inc. on the grounds that it is generic, cannot achieve trademark signification and should not be exclusively appropriated by any one company, to the competitive disadvantage of others (A-24, A-37). Defendant took testimony in the Patent Office proceeding but plaintiff did not do so, electing instead to stay the Patent Office proceedings based on the pendency of this Court litigation.

Thus during the pendency of this litigation Television Digest, Inc., and its licensees, continue to enjoy the competitive advantage of a Patent Office registration which, among other things, has enabled plaintiff to incorrectly imply in its advertising a connection with the industry show, denominated the Consumer Electronics Show and held regularly since 1967. (Exhibits 1, 2 to the Solomon affidavit).

ARGUMENT

I

THIS ACTION SHOULD HAVE BEEN
DISMISSED FOR FAILURE TO STATE
A CLAIM UPON WHICH RELIEF CAN
BE GRANTED

Defendant moved in the District Court for dismissal of this litigation pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure on the ground that "consumer electronics," as applied to a trade magazine directed to the consumer electronics industry, is generic and as a matter of law not entitled to trademark status or protection under any of plaintiff's claimed causes of action.

A trademark is defined as "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or

sold by others." 15 U.S.C. §1127. In order to fulfill its source identifying function, a trademark must point distinctively to the origin or ownership of the article to which it is applied. Canal Company v. Clark, 80 U.S. 311, 323 (1871).

"Generic" or "common descriptive" terms are so highly descriptive that they can never serve to identify origin and so can never function as trademarks. Canal Company v. Clark, 80 U.S. 311, 323 (1871); Application of Searle & Co., 360 F.2d 650, 652 (C.C.P.A. 1966). If a term is generic or "merely descriptive of an article of trade, of its qualities, ingredients or characteristics," Canal Company v. Clark, 80 U.S. 311, 323 (1871), it cannot be exclusively appropriated as a trademark regardless of the length of time it may have been used by a single producer or distributor. Henry Heide, Incorporated v. George Ziegler Company, 354 F.2d 574, 576 (7th Cir. 1965). For obvious

policy reasons, such words are publici juris.

Application of Colonial Stores Incorporated, 394 F. 2d 549, 551 (C.C.P.A. 1968); see also Bayer Co. Inc. v. United Drug Co., 272 F. 505, 514 (S.D.N.Y. 1921).

A generic term can never acquire secondary meaning regardless of the amount of effort and money expended to promote it as a mark. Application of Colonial Stores Incorporated, 394 F. 2d 549, 551 (C.C.P.A. 1968); Application of Searle & Co., 360 F. 2d 650, 655 (C.C.P.A. 1966); Weiss Noodle Co. v. Golden Cracknel & Specialty Co., 290 F. 2d 845, 848 (C.C.P.A. 1961); In re Bridge, 170 USPQ 428, 430 (T.T.A.B. 1971); In re Work Wear Corporation, 169 USPQ 501, 503 (T.T.A.B. 1971). This is so even though the public has come to associate the producer with the name by which the product is called. J. Kohnstam, Ltd. v. Louis Marx & Company, 280 F. 2d 437, 440 (C.C.P.A. 1960). Use of a generic term by a second producer to

truthfully describe its product is not actionable, even though the result may be mistake or confusion in the public mind as to the origin of the product. Canal Company v. Clark, 80 U.S. 311, 327 (1871); Fawcett Publications v. Popular Mechanics Co., 80 F.2d 194, 198 (3d Cir. 1935).

"Whatever its history, a generic name is not subject to legal protection. Genericness is a defense to a trademark infringement action, bars federal trademark registration, is ground for cancellation of a federal registration at any time, and prevents a federal trademark registration from becoming incontestable. A generic name, being publici juris, is free for use by anyone." Jerome Gilson, "Trademark Protection and Practice" §2.02 at 2-10, 2-11 (1974).

- A. "Consumer Electronics" Is The Name Of An Industry And, As Applied To A Trade Magazine, Is A Common Descriptive Term

The generic nature of the words consumer electronics was shown by a multitude of evidence below. Foremost in this regard is the use of the words by the

industry itself as an identifying name: the division of the Electronic Industries Association devoted to the trade in electronics products for personal and home use is called the "Consumer Electronics Group" (A-24); it publishes the "Consumer Electronics Annual Review" (A-35) and sponsors the semi-annual industry trade show called the "Consumer Electronics Show." (A-19). The Electronic Industries Association also publishes "Electronic Market Data Book" with a section entitled "Consumer Electronics." (A-36). A number of major producers of consumer electronics products, including RCA, Philco, Magnavox and Sanyo use "Consumer Electronics" in their corporate or division titles, and others refer to their consumer electronics products as "consumer electronics lines." (A-23, A-24). Uncontroverted proof of the generic nature of the term was shown in third party publications, in plaintiff's publications and promotional materials, and in the publications and promotional materials of Television Digest, Inc.

It has been consistently held that where a magazine is devoted to an industry and the title bears the name of the industry, the industry name is generic and incapable of exclusive appropriation. Magazine Publishers, Inc. v. Ziff-Davis Pub. Co., 147 F.2d 182 (2d Cir. 1945); McGraw-Hill Pub. Co. v. American Aviation Associates, 117 F.2d 293 (D.C. Cir. 1940); Electrical Information Publications, Inc. v. C-M Periodicals, Inc., 163 USPQ 624 (N.D. Ill. 1969); Harbrace Publications, Inc. v. Grocers Publishing Co., Inc., 171 USPQ 814 (T.T.A.B. 1971); Jenkins Publishing Co. v. Metalworking Publishing Co., 139 USPQ 346 (T.T.A.B. 1963); Ex Parte Distribution & Warehousing Publications, Inc., 61 USPQ 233 (Comm'r 1944).

The Court of Appeals for the District of Columbia in 1940 affirmed a District Court dismissal of a complaint against American Aviation Associates for trademark infringement and unfair competition. McGraw-Hill Pub. Co. v. American Aviation Associates, 117

F.2d 293 (D.C. Cir. 1940). The name "Aviation" was held descriptive of the contents of a magazine devoted to aviation and the U.S. Patent Office registration covering "Aviation" was ruled invalid. The Court of Appeals stated: "It is difficult to conceive of a term that would be more descriptive of the contents of plaintiff's magazine." 117 F.2d at 295. Finding that "Aviation" is not a valid trademark for an aviation magazine, the Court of Appeals found that there can be no infringement, "for the plaintiff has no trademark either under the statute or the common law." 117 F.2d at 296.

In Ex Parte Distribution & Warehousing Publications, Inc., 61 USPQ 233 (1944), the Trademark Commissioner affirmed a denial of registration of the name "Air Cargo" as merely descriptive of a publication devoted to that subject. In so holding, the Commissioner noted that the test of descriptiveness for marks applied to printed publications is the same as that for other

merchandise. The generic use of "Air Cargo" in an article in the publication itself was pointed to as an indication that the title was descriptive of the publication.

In Jenkins Publishing Co. v. Metalworking Publishing Co., 139 USPQ 346 (T.T.A.B. 1963), the publisher of "Western Metalworking", an industry journal, sought to cancel the registration of "Metalworking" for another periodical directed to the industry. The petitioner alleged that the term in dispute was the generally accepted name of the industry and was used by the trade and in other journals to identify the industry. The Trademark Trial and Appeal Board found that this was in fact the case, and concluded:

"In the instant case, not only is the term 'metalworking' a dictionary word which refers to the particular industry to which both petitioner and respondent direct their publications, but it has been shown that it is a commonplace word to describe the industry and that others in the field of publications

have used it both as such and also as a part of the title or subtitle for their publications in the field. While it is possible that some of the recipients and/or advertisers for respondent's publication may regard the term as being indicative of origin for respondent's periodical, it is difficult to perceive how respondent can, in light of the aforementioned uses thereof, claim any exclusive rights therein. In this regard, while granting that the word 'METALWORKING' does not reveal the physical properties of respondent's goods, it is difficult to conceive of a word which would be more descriptive of the contents of a publication which is devoted exclusively to advertisements and articles on metalworking equipment and supplies. Under all the circumstances, it is concluded that the term 'METALWORKING' is so highly descriptive of respondent's publication as to be incapable of exclusive appropriation, and that the word was in this category of descriptiveness at the time respondent's predecessor filed the original application for registration thereof." 139 USPQ at 348.

In Fawcett Publications v. Popular Mechanics Co., 80 F.2d 194 (3d Cir. 1935), a suit for infringement and unfair competition, plaintiff publisher of "Popular Mechanics" sought to enjoin the use of the word "Mechanics" in the title of defendant's magazine. On appeal the Third Circuit reversed the grant of an injunction despite

proof of many instances of clear mistake, including the purchase of defendant's magazine for plaintiff's and the return for credit of defendant's magazine to plaintiff's exclusive distributors. The Court explained that a generic or merely descriptive name cannot be exclusively appropriated by any one person:

"A name which is merely descriptive of the ingredients, qualities or characteristics of an article of trade cannot be appropriated as a trade-mark and the exclusive use of it afforded legal protection. The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product." 80 F.2d at 198.

B. Plaintiff's Inability To Establish Secondary Meaning Defeats All Its Asserted Claims

It is axiomatic that, absent a showing of secondary meaning, plaintiff cannot prevail on its claim of trademark infringement. McGraw-Hill Pub. Co. v. American Aviation Associates, 117 F.2d 293, 296 (D.C. Cir. 1940). Nor can it show a violation of §43(a) of the

Lanham Act. This Court in Joshua Meier Company v. Albany Novelty Mfg. Co., 236 F.2d 144 (2d Cir. 1956) so stated in affirming the denial of a preliminary injunction:

"The theory of this cause of action is that the defendant's use of these expressions constitutes a false designation of origin and a false description and representation in violation of 15 U.S.C.A. §1125(a). This can only be so if the alleged unregistered trademarks used by the plaintiff are so associated with its goods that the use of the same or similar marks by another company constitutes a representation that its goods come from the same source. 15 U.S.C.A. §1125(a) requires at least that the defendant be guilty of a false representation. If the expressions used here by the defendant are not uniquely associated with the plaintiff's goods there is no such false representation." 236 F.2d at 147.

The law is equally clear that plaintiff must show secondary meaning if it is to prevail on its claims based on §368-d of the New York General Business Law and the New York common law of unfair competition. See McGraw-Hill Book Company v. Random House, Inc., 32

Misc. 2d 704, 225 N.Y.S.2d 646(Sup. 1962). Section 368-d of the New York General Business Law provides:

"Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services."

The key word in this statute, and the one that plaintiff ignores in its discussion of the law, is "distinctive". This is the word that defines all of modern trademark law, for it is the "distinctive" mark that denotes origin of goods; that attaches as property to the trademark user; that is registrable on the Principal Register of the Lanham Act; and that is uniformly deemed protectible by the courts. The presence of that word in the statute requires the recognition that New York has not abnegated the law of trademarks. As the New York Supreme Court said in McGraw-Hill Book Company v. Random House, Inc.,

32 Misc.2d 704, 225 N.Y.S.2d 646 (Sup. 1962):

"A distinctive title under which a book is offered to the public may, under certain circumstances, be deemed a "mark" or "trade name" within the meaning of section 368-d of the General Business Law. That section, however, is designed to prevent the dilution of the distinctive qualities of a title, not to ascribe distinctive qualities to the title. The section contemplates a title which is susceptible of being "distinctive". Under the facts of this case neither 'PT 109' -- the copyrighted title -- nor 'PT 109 John F. Kennedy in World War II' is such a title, because both such titles consist of descriptive or generic terms, singly or in combination, that are publici juris and incapable of being exclusively appropriated as against the use by others in their primary sense without fraud or deception." 32 Misc.2d at 712-13, 225 N.Y.S.2d at 655.

Plaintiff claims in its brief that proof of secondary meaning is not required in order to prevail on a claim of unfair competition under the common law of New York. (Appellant's Brief at 17). Proof of secondary meaning is not required where the plaintiff can show that the defendant has engaged in various predatory practices, such as abuse of confidential business secrets, breach of fiduciary duty or palming off. Ralston

Purina Company v. Thomas J. Lipton, Inc., 341 F. Supp. 129, 135 (S.D.N.Y. 1972); J. Josephson, Inc. v. General Tire & Rubber Co., 357 F. Supp. 1047, 1048 (S.D.N.Y. 1972).

In all of the New York cases plaintiff cites (Appellant's Brief at 17, 19 n.14) there were predatory practices by defendant, or a finding of secondary meaning. For example, in Santas Workshop, Inc. v. Sterling, 282 App.

Div. 328, 122 N.Y.S.2d 488 (3d Dept. 1953), the case often quoted for the proposition that secondary meaning is not required to state a cause of action in unfair competition, the complaint was held to state a cause of action sufficient to withstand a motion to dismiss because of its allegations of palming off and of plagiarism. The case is further distinguishable in that the mark (a unique design of Santa Claus) was distinctive.

Londontown Manufacturing Company v. Cable Raincoat Co., 371 F.Supp. 1114 (S.D.N.Y. 1974) and Apollo Distributing Company v. Apollo Imports, Inc., 341 F.

Supp. 455 (S.D.N.Y. 1972), also cited by plaintiff, are likewise inapposite, since the marks involved were fanciful.

Plaintiff glosses over the requirement that secondary meaning must be shown in a case sounding in trademark infringement and unfair competition (Ralston Purina Company v. Thomas J. Lipton, Inc., 341 F. Supp. 129 (S.D.N.Y. 1972); J. Josephson, Inc. v. General Tire & Rubber Co., 357 F.Supp. 1047 (S.D.N.Y. 1972); McGraw-Hill Book Company v. Random House, Inc., 32 Misc.2d 704, 225 N.Y.S.2d 646 (Sup. 1962); Acc Publications v. Mutual Magazine Corp., 147 N.Y.S.2d 531 (Sup. 1955)) by stating that the "New York law of unfair competition is especially rigorous in proscribing use of any name confusingly similar to another earlier adopted by and associated with another's business without regard to the extent of secondary significance of the earlier name." Appellant's Brief at 19.

Plaintiff's reliance on Mortellito v. Nina of California, Inc., 335 F. Supp. 1288 (S.D.N.Y. 1972), is misplaced. The statement there that secondary meaning was not required for proof of unfair competition was pure dictum, the court having found that the mark in issue had acquired secondary meaning. The Court also noted, and avoided, the potential constitutional issue that would arise under the Sears-Compc doctrine (Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964); Compc Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964)) were a trademark unprotectible under federal law to be protected on the basis of state law. 335 F. Supp. at 1296.

II

THIS ACTION SHOULD NOT PROCEED IN THE
ABSENCE OF THE TRADEMARK OWNER

Defendant also based its motion for dismissal in the District Court on Rule 12(b)(7) of the Federal Rules of Civil Procedure, contending that the claimed trademark owner, Television Digest, Inc., is a person needed for just adjudication under Rule 19. The Court below declined to decide the issue raised by this branch of defendant's bifurcated motion.

Plaintiff characterizes itself as the exclusive licensee of the trademark "Consumer Electronics" by virtue of a December 28, 1972 assignment from Audio Times, Inc. of a license agreement running from Television Digest, Inc. to Audio Times, Inc. (A-12).

Audio Times, Inc. continues as a licensee of Television Digest, Inc., allegedly under a separate

license agreement (A-43), a copy of which was not produced below. However, the license agreement, appended as Exhibit D to Affidavit of Richard Ekstract in Support of Plaintiff's Motion for Preliminary Injunction, is sufficient to show the tenuous nature of plaintiff's stance before this Court.

Although this agreement does at ¶1(a) purport to grant plaintiff "the exclusive right to use the trademark 'Consumer Electronics' in conjunction with and in connection with the publication by the Licensee of the Magazine, which Licensee agrees shall be named 'CONSUMER ELECTRONICS MONTHLY'," ¹ the licensor expressly reserves the right to itself use the name as the title for a newsletter (¶14(a)) and to itself use or license the use of the name "Consumer Electronics Show Daily" for a publication (¶14(b)). Moreover, the agreement makes no mention of "Television Digest with Consumer Electronics," the licensor's own publication. (A-45).

¹Note that plaintiff does not abide by the terms of the grant when it drops "monthly" from its title. (See, for example, Exhibit 20 to the Solomon affidavit; Exhibit E to Affidavit of Richard Ekstract in Support of Plaintiff's Motion for Preliminary Injunction.)

The limited nature of license which plaintiff secured by assignment is further evident in ¶7, which gives the Licenser the option to cancel the license under certain conditions, including a failure to publish ten issues in any calendar year or any decline in the "highest professional journalistic standards." Moreover, the license agreement contains no provision authorizing the licensee to maintain an action against infringers, and has an initial term of only just over three years, which will expire December 31, 1975 (¶2). Although there is an option to renew for two additional two-year periods if the license fees exceed a designated minimum (¶10), it is certainly conceivable that plaintiff herein may not elect to continue as licensee after December 31, 1975.

Finally, ¶14(a) of the license agreement specifically provides for the alleged trademark to be at all times the exclusive property of the licensor. In its entirety the provision reads:

14. (a) It is expressly agreed by the parties hereto that "Consumer Electronics" is

and shall continue to be the exclusive property of the Licensor as a trademark throughout the term of this agreement and thereafter, with the exclusive right vested in Licensor to, itself, at any time, commence publication of a newsletter to be named "Consumer Electronics".

The foregoing provision is an explicit recognition by the licensee of the licensor's superior right to the use of this title as against the licensee. It makes it clear that in the event of termination or nonrenewal of the agreement, plaintiff would itself be barred from any further use of the title. Further, it precludes plaintiff from asserting, as it has at paragraph 11 of its complaint, that "[t]he trademark 'Consumer Electronics' and the goodwill appurtenant thereto are valuable business assets of CES Publishing." (A-4).

Rule 19 of the Federal Rules of Civil Procedure provides in pertinent part:

(a) Persons To Be Joined If Feasible.
A person who is subject to service of process

and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if (1) in his absence complete relief cannot be accorded among those already parties, or (2) he claims an interest relating to the subject of the action and is so situated that the disposition of the action in his absence may (i) as a practical matter impair or impede his ability to protect that interest or (ii) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of his claimed interest. If he has not been so joined, the court shall order that he be made a party. If he should join as a plaintiff but refuses to do so, he may be made a defendant, or, in a proper case, an involuntary plaintiff. If the joined party objects to venue and his joinder would render the venue of the action improper, he shall be dismissed from the action.

(b) Determination By Court Whenever Joinder Not Feasible. If a person as described in subdivision (a)(1)-(2) hereof cannot be made a party, the court shall determine whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable. The factors to be considered by the court include: first, to what extent a judgment rendered in the person's absence might be prejudicial to him or those already parties; second, the extent to which, by protective provisions in the judgment, by

the shaping of relief, or other measures, the prejudice can be lessened or avoided; third, whether a judgment rendered in the person's absence will be adequate; fourth, whether the plaintiff will have an adequate remedy if the action is dismissed for non-joinder.

Television Digest, Inc. is a person which "claims an interest relating to the subject of the action and is so situated that the disposition of the action in [its] absence may . . . (ii) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of [its] claimed interest." The validity of its claimed trademark, on which it bases at least two licensing arrangements, is under challenge.

As stated by the United States Court of Appeals for the District of Columbia, in a proceeding to compel cancellation of a registered trademark:

"We still think it evident that the validity of a patent or trademark cannot be litigated, as appellant seeks to do here, in a suit to which its owner is not a party This is an elementary and obvious matter of due

process." J.C. Eno (U.S.) Limited v. Coe,
106 F.2d 858, 859 (D.C. Cir. 1939).

Television Digest, Inc. should be present not via the back door of its attorneys' representation of its licensee by assignment, but out in the open, so that any determination in this case will put an end to further litigation, including but not limited to the pending U.S. Patent Office proceedings which Television Digest, Inc. has seen fit to stay. Through its election to stay the Patent Office proceedings Television Digest, Inc. has chosen this forum; it should concomitantly be bound by the determination in the forum of its choice.

Waterman v. Mackenzie, 138 U.S. 252 (1891), is still controlling law (see American Optical Co. v. Curtiss, 59 F.R.D. 644, 177 USPQ 726 (S.D.N.Y. 1973)). In the Waterman case, the U.S. Supreme Court affirmed the dismissal of a patent infringement suit brought by a licensee and in so doing enunciated the following guidelines for the determination of the parties necessary to be joined:

"The patentee or his assigns may,
by instrument in writing, assign, grant

and convey, either, 1st, the whole patent, comprising the exclusive right to make, use, and vend the invention throughout the United States; or, 2d, an undivided part or share of that exclusive right; or, 3d, the exclusive right under the patent within and throughout a specified part of the United States.*** A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers; in the second case, jointly with the assignor; in the first and third cases, in the name of the assignee alone. Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent, and no right to sue at law. . . . In equity, as at law, when the transfer amounts to a license only, the title remains in the owner of the patent; and suit must be brought in his name. . . ." 138 U.S. at 255 (citations omitted).

Since plaintiff enjoys but a limited license, clearly suit should have been brought in the licensor's name.

Pure Food Products, Inc., v. American Bakeries Company, 176 USPQ 233 (N.D. Ill. 1972), specifically holds that these same guidelines are applicable in trademark cases. (See also 7 C. Wright and A. Miller, "Federal Practice and Procedure" § 1614 at 154-55 (1972)). In granting defendant's motion to dismiss for failure to join the trademark owner under Rule 19, the Court held

that the owner of an allegedly infringed trademark is an indispensable party to a suit for infringement and unfair competition. The Court rejected the plaintiff's argument that the rights conveyed by the license were so extensive as to be tantamount to vesting equitable ownership of the marks in the licensee, noting that the license was subject to other licenses and that the licensor reserved the right to terminate the license under certain circumstances. The Court additionally observed, "Even if plaintiff were the equitable owner, [the trademark owner] might still be an indispensable party. *Higgins, Inc. v. Kiekhoefer Corp.*, 246 F. Supp. 610, 612, 147 USPQ 251, 253 (E.D. Wisc. 1965)." 176 USPQ at 234.

The undisputed facts presented on this branch of the defendant's motion to dismiss require dismissal as a matter of law.

III

THE DISTRICT COURT DID NOT ABUSE ITS DISCRETION BY DENYING A PRELIMINARY INJUNCTION

A preliminary injunction is an extraordinary remedy, which will not be granted except on a clear showing of irreparable injury and probable success on the merits. Clairol Incorporated v. Gillette Company, 389 F.2d 264, 265 (2d Cir. 1968); W. E. Bassett Company v. Revlon, Inc., 354 F.2d 868, 871 (2d Cir. 1966). The granting or withholding of a preliminary injunction rests in the sound discretion of the trial court. Dymo Industries, Inc. v. Tapeprinter, Inc., 326 F.2d 141, 143 (9th Cir. 1964). A District Court finding will not be disturbed unless it appears that there was a clear abuse of discretion. 414 Theater Corp. v. Murphy, 499 F.2d 1155, 1159 (2d Cir. 1974); Exxon Corp. v. City of New York, 480 F.2d 460, 464 (2d Cir. 1973).

Plaintiff contends that the District Judge erred in that his Opinion and Order do not make specific reference to irreparable harm, the two state law claims, and the balance of hardships. But the District Judge determined that the trademark at issue was generic and "not the subject of a valid trademark." This finding disposed of plaintiff's state law claims as well as its federal claims, and makes superfluous any further discussion as to other requisites to the issuance of a preliminary injunction. Clairol Incorporated v. Gillette Company, 389 F.2d 264, 265 (2d Cir. 1968).

In any event the record amply supports a finding that plaintiff made an insufficient showing on such other issues as well. Assuming arguendo that the mark is nongeneric and protectible as plaintiff contends, plaintiff has still failed to show a likelihood of success on the merits because of its

failure to prove secondary meaning.

The concept of secondary meaning is that a descriptive word, through extensive and exclusive use as the trademark of one particular company, loses its primary descriptive connotation in favor of a secondary meaning, specifically as an identification of the source or origin of the goods. G & C Merriam Co. v. Saalfeld, 198 F. 369, 373 (6th Cir. 1912), aff'd and modified, 238 F. 1 (6th Cir. 1917), cert denied, 243 U.S. 651 (1917).

The party seeking to establish secondary meaning has the hard burden of proving that the primary significance of the term in the minds of the consuming public is not the product but the producer. Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 118 (1938); Ralston Purina Company v. Thomas J. Lipton, Inc., 341 F. Supp. 129, 133 (S.D.N.Y. 1972). Whether a given term has acquired secondary meaning is a question of fact in each case and depends on

such considerations as, inter alia, the length of time and exclusivity of use of the trademark, sales levels and the extent of advertising.

Plaintiff has to offer nothing more than a two-year-old publication, a few unimpressive figures relating to its enterprise and hearsay allegations to the effect that the trade refers to its magazine by the title it is seeking to protect. Not a single independent affidavit or documentary exhibit was offered in support of plaintiff's proposition that the words "Consumer Electronics" have come primarily to mean plaintiff. (Since plaintiff derives its title from a license grant from a licensee of the trademark owner, both of which put out other "Consumer Electronics" publications, so-entitled, plaintiff cannot as a matter of trademark law assert this proposition without undercutting both of these superior parties.)

It is clear law that substantial sales figures and advertising expenditures, as distinguished

from direct evidence that consumers have come to identify the specific trademark with the source, will establish secondary meaning:

"The fact that Tender Vittles become the biggest seller of the semimoists means nothing more than that it became the most popular. However, popularity and sales alone cannot establish secondary meaning. Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 572 (2d Cir. 1959), cert. denied, 362 U.S. 919, 80 S.Ct. 671, 4 L.Ed.2d 739 (1960); Remco Industries, Inc. v. Toyomenka, Inc., 286 F. Supp. 948, 953 (S.D.N.Y.), aff'd per curiam, 397 F.2d 977 (2d Cir. 1968). Similarly, the fact that Purina spent \$4,000,000 promoting its product merely indicates its efforts to establish secondary meaning, but does not determine the success of those efforts. Remco Industries, Inc. v. Toyomenka, Inc., supra at 953." Ralston Purina Company v. Thomas J. Lipton, Inc., 341 F. Supp. 129, 134 (S.D.N.Y. 1972).

Plaintiff's offer in this case of only the self-serving statements of its president far from satisfies the proof necessary to support a finding

of secondary meaning on a motion for preliminary injunction. Ralston Purina Company v. Thomas J. Lipton, Inc., 341 F. Supp. 129, 134-35 (S.D.N.Y. 1972); Le Cordon Bleu v. BPC Publishing Limited, 327 F. Supp. 267, 270 (S.D.N.Y. 1971).

Plaintiff relies on Hamilton Watch Co. v. Benrus Watch Co., 206 F.2d 738 (2d Cir. 1953) and Omega Importing Corp. v. Petri-Kine Camera Company, 451 F.2d 1190 (2d Cir. 1971) for its proposition that although secondary meaning was not found below, it is nevertheless entitled to a preliminary injunction because of the balance of hardships in its favor. (Appellant's Brief at 28,29). The Hamilton Watch case which is not even a trademark but rather a Clayton Act case cannot support plaintiff's position on this appeal. In Omega Importing, the mark involved was an arbitrary one, plaintiff's predecessor had been the exclusive representative in the United States

for 20 years, over a million dollars in advertising and sales were shown, and the Court was further swayed by the fact that defendant had just emerged from a Chapter XI reorganization. In reversing the District Court denial of a preliminary injunction, the Court nevertheless stated that even these compelling facts might not sufficiently tip the scales in plaintiff's favor, had defendant already commenced its sales (id. at 1195), but noted that the showing required is less strong when a preliminary injunction is sought to preserve the status quo than when it would require costly changes in existing operations. (Id. at 1197).

In the instant case, there is no such long-lived business at stake. Confusion is not likely since the titles and format employed are sufficiently dissimilar to distinguish the respective magazines, and the audience is a sophisticated trade which

receives plaintiff's publications by mail. See McGraw-Hill Pub. Co. v. American Aviation Associates, 117 F.2d 293, 295 (D.C. Cir. 1940). Nor is plaintiff seeking merely to preserve the status quo; rather plaintiff is seeking to roll the clock back and force defendant to make costly changes in existing operations. Defendant will already have published ten issues of its magazine by the time argument is heard on this appeal. It has spent more than \$80,000 in pre-publication promotional costs, incurred while plaintiff deliberately waited to act until after defendant had published its first issue.

Plaintiff's failure to offer any explanation for its silence during this critical five-month period, and its further wait of six weeks in seeking a preliminary injunction, is a significant consideration in assessing the balance of hardships. In Le Cordon Bleu v. BPC Publishing Limited, 327 F. Supp. 267

(S.D.N.Y. 1971), plaintiff's unexplained delay of 13 weeks from the time it had knowledge of defendant's plans to publish until the time it sought a preliminary injunction was considered substantial and grounds for denial of the preliminary injunction sought. Plaintiff's longer and unexplained delay in this case also shifts the balance of hardships in favor of the defendant. Gianni Cereda Fabrics, Inc. v. Bazaar Fabrics, Inc., 335 F. Supp. 278, 280 (S.D.N.Y. 1971).

This inexplicable delay also negates ipso facto plaintiff's contention that it will suffer irreparable injury if the preliminary injunction is denied.

"A preliminary injunction is sought upon the theory that there is an urgent need for speedy action to protect the plaintiff's rights. By sleeping on its rights a plaintiff demonstrates the lack of need for speedy action and cannot complain of the delay involved pending any final relief to which it may be entitled after a trial of all the

issues....." Gillette Company v. Ed Pinaud, Inc., 178 F. Supp. 618, 622 (S.D.N.Y. 1959).

Plaintiff relies on its claim of confusion to establish irreparable injury. (Appellant's Brief at 11-12). But plaintiff's showing of a few instances of misaddressed inquiries and mail do not suffice to establish customer confusion. As the Court stated in McGraw-Hill Pub. Co. v. American Aviation Associates, 117 F.2d 293 (D.C. Cir. 1940), in connection with precisely this kind of evidence:

"Both types of mistakes [the mistaking of personnel in the two companies and errors in addressing letters] are often made even in connection with old, well established concerns.... A publisher though he has a registered trademark cannot be protected from all of the inadequacies of human thought and memory." 117 F.2d at 295.

The initial confusion engendered by another entry into a field which is free to all must be viewed as inevitable where business concerns select

highly descriptive or generic names to identify their wares or business. Such initial confusion is soon dispelled as one's clerical employees are advised to correct a first mismailing or misdirected inquiry. (A-22, A-23).

The kind of clerical confusion which plaintiff showed below is not the confusion which is contemplated under the trademark statutes. Pennsylvania Dutch Co. v. Pennsylvania Amish Co., 184 USPQ 41 (Pa. C.P. 1974); Airwick Industries, Inc. v. Alpkem Corp., 184 USPQ 771 (D. Ore. 1974). In the Pennsylvania Dutch case, there was some evidence of misdelivery of mail and of freight. The Court noted that "such occurrences are not uncommon to the trade" and, "Pennsylvania courts have recognized that such incidental confusion does not create an implication of secondary meaning or confusion of source." 184 USPQ at 48.

In the Airwick case the confusion was also among clerical and billing personnel. The Court noted that the buyers are professional persons who are not likely to be confused or deceived: "it is the customers who must be confused, and this 'must be demonstrated by more than merely an occasional misdirected letter. The showing of a mere trace of confusion is insufficient.' " 184 USPQ at 774.

Moreover, plaintiff seems to have amply taken care of the confusion complained of, by means of broadsides to the entire consumer electronics trade. For example, at Exhibit 20 to the Solomon affidavit, plaintiff blatantly accused defendant of a deliberate attempt at masquerade, enclosing a black mask in each copy of its undated and unsigned mailing. (A-26).

In similar fashion, when defendant launched its "CES Trade News Daily", plaintiff or its assignor sent out industry-wide mailings depicting defendant's

publication, both visually and verbally, in terms of an "advertising lemon" (Exhibits 3-4 to Solomon affidavit). Simultaneously, it proceeded to retaliate by prominently using the CES initials selected by defendant for its publication covering The Consumer Electronics Show (Exhibits 3-6 to Solomon affidavit), demonstrating further its full capability to deal with any instances of confusion, let alone the insignificant instances adduced below.

CONCLUSION

This action should be dismissed.

Respectfully submitted,

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**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

CES PUBLISHING CORP.,

**Plaintiff-Appellant-
Cross-Appellee,**

against

St. Regis Publications, Inc.,

**Defendant-Appellee-
Cross-Appellant.**

State of New York,
County of New York,
City of New York—ss.:

DAVID F. WILSON

being duly sworn, deposes

and says that he is over the age of 18 years. That on the **21st**
day of **August**, 1975, he served **two** copies of the
Brief of Defendant-Appellee-Cross-Appellant on
Wilner & Scheiner, Esqs. for the **Plaintiff-Appellant-Cross-Appellee**
by depositing the same, properly enclosed in a securely sealed
post-paid wrapper, in a Branch Post Office regularly maintained
by the Government of the United States at 90 Church Street, Borough
of Manhattan, City of New York, directed to said attorneys at
No. **2021 L Street, N.W., Washington, D.C.**) ~~xxx~~,
that being the address designated by **them** for that purpose upon
the preceding papers in this action.

David F. Wilson

Sworn to before me this

21st day of **August**, 1975.

Courtney J. Brown

COURTNEY J. BROWN
Notary Public, State of New York
No. 31-5472920
Qualified in New York County
Commission Expires March 30, 1976